

ILLINOIS AMERICAN WATER COMPANY

**Rebuttal Testimony
Of
Thomas J. Flaherty, III**

**National Partner – Energy Consulting
Deloitte Consulting**

**On Behalf of
Illinois-American Water Company**

Docket Number 00-0476

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Thomas J. Flaherty and I am the National Partner – Energy Consulting and a principal in Deloitte Consulting L.P. (Deloitte Consulting). My business address is 6363 North Hwy 161, Suite 800, Irving, Texas 75038.

Q. Would you briefly summarize your academic and professional background?

A. I graduated from the University of Oklahoma with a B.B.A. degree in Accounting and immediately joined Touche Ross. In December 1989, Touche Ross and Deloitte, Haskins & Sells merged and now conduct the consulting business under the firm name of Deloitte Consulting L.P. Since joining Touche Ross, I have specialized in the public utility industry and have performed a variety of assignments.

I have assisted managements from a number of electric and/or gas utilities in identification, evaluation and integration of acquisitions, including: screening analysis; review of corporate restructuring alternatives; assessment of acquisition related cost reduction opportunities; development of regulatory strategies; planning and execution of acquisition integration; and assignment and allocation of costs and benefits related to mergers and acquisitions. In addition to my involvement in merger and acquisition consulting for Deloitte Consulting, I have participated in numerous other utility consulting engagements in the areas of corporate growth, diversification, restructuring, organizational analysis, business

1 process reengineering, benchmarking, strategic planning, strategic marketing,
2 litigation assistance, economic feasibility studies, regulatory planning and
3 analysis and financial analysis.

4 I also have conducted or directed similar assignments for a variety of
5 industries, including construction, retailing, publishing, health care, real estate and
6 manufacturing, in addition to utilities. EXHIBIT TJF-1 to this testimony details
7 my experience with regulated utilities.

8
9 **Q. Please summarize your experience in utility mergers and acquisitions.**

10 A. I have been involved in more than 150 actual, proposed or potential transactions
11 involving electric, electric and gas combination, gas or water utilities. I have
12 experience working for both buyers and sellers and have assisted client
13 managements in their assessment of a broad range of transactional issues,
14 including the following:

15 Target Analysis	Financial Analysis
16 Asset Quality Analysis	Transaction Structuring
17 Customer Analysis	Regulatory Strategy
18 Competitor Analysis	Testimony
19 Synergy Assessment	Integration Management

20 The publicly announced transactions in which I have been significantly involved,
21 other than the one that is the subject of this proceeding, are: Kansas Power &
22 Light and Kansas Gas and Electric, IPALCO Enterprises and PSI Resources,
23 Entergy and Gulf States Utilities, Southern Union and Western Resources

(Missouri properties), Washington Water Power and Sierra Pacific Resources, Midwest Resources and Iowa-Illinois Gas & Electric, Northern States Power Company and Wisconsin Energy Corporation, PECO Energy Company and PPL Resources, Public Service Company of Colorado and Southwestern Public Service Company, Baltimore Gas & Electric and Potomac Electric Power Company, Delmarva Power and Atlantic Energy, WPL Holdings, IES Industries and Interstate Power, Puget Sound Power & Light and Washington Energy, TU Electric and ENSERCH, Western Resources and Kansas City Power & Light, Western Resources and ONEOK, Inc. (Kansas, Oklahoma gas properties), Houston Industries and NORAM Energy, Ohio Edison and Centerior, ENOVA and Pacific Enterprises, Brooklyn Union Gas and Long Island Lighting, Allegheny Energy and DQE, Inc., LG&E Energy and KU Energy, NIPSCO Industries and Bay State Gas, American Electric Power and CSW, BEC Energy and COM Energy, Northern States Power and New Century Energies, Dynegy and Illinova, DTE Energy and MCN Energy, ConEd and Northeast Utilities, PECO Energy and Unicom, AGL Resources and Virginia Natural Gas, FPL Group and Entergy and California-American Water – Citizens Utilities Company/San Jose Water. I have also participated in a number of international transactions in the United Kingdom, Australia, New Zealand and other countries.

Q. Do you hold any professional certifications?

A. Yes. I am a Certified Management Consultant and a member of the Institute of Management Consultants.

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II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. I have been asked to appear for Illinois-American Water Company (IAWC), a subsidiary of American Water Works Company, Inc. My testimony will respond to the reports and testimony proffered by the Staff of the Illinois Commerce Commission (Commission) and the Illinois Industrial Water Consumers in connection with IAWC's proposed acquisition of the assets of Citizens Utilities Company of Illinois (Citizens). My testimony will focus on the Commission's and IWC's assertions that the Savings Sharing Proposal offered by IAWC is unworkable due to the inability to "demonstrate" the presence of acquisition related savings over the 40-year forecast period and that the proposal should be rejected because net benefits do not sufficiently accrue to the consumers.

III. SUMMARY OF TESTIMONY

Q. Please summarize your testimony.

A. The acquisition of Citizens' assets is anticipated to result in cost savings that should permit rates in the future to be below the level that otherwise would have been necessary on a stand-alone basis for either of the companies, Citizens or IAWC. IAWC has proposed to the Commission an acquisition plan which outlines the rationale and process through which the acquisition of Citizens' assets by IAWC will benefit the customers of each utility and protect the interest of shareholders. The anticipated savings exceed the proposed acquisition premium revenue requirement sufficiently to conclude that rates will be lower to consumers

1 as a result of the acquisition. The combined company will be stronger and more
2 efficient, which will allow IAWC to provide efficient and reliable water and
3 wastewater services throughout the service area well into the future.

4 Cost savings will be available immediately through consolidation of many
5 corporate functions, as well as improved purchasing power through existing
6 corporate purchasing programs in place at IAWC's parent. IAWC has proposed
7 an acquisition regulatory plan which addresses the distribution of these savings
8 through the implementation of a Savings Sharing Proposal ("SSP"). This plan
9 contains a specific description of how IAWC will be able to generate savings in
10 the near-and long- terms. These savings "events" are identifiable and will
11 continue into perpetuity. Since these "events" are a direct result of the
12 acquisition, there is a causal linkage between reduced cost levels and management
13 actions taken as a result of the acquisition. The Commission has the ability in the
14 near term to directly assess whether these savings "events" are acquisition related
15 and can adequately assess the real level of acquisition savings. Additionally, the
16 SSP allows customers to share in the improved efficiencies and economies of
17 scale that the transaction with IAWC provides. Finally, intangible benefits that go
18 along with these scale economies such as the improved ability to comply with
19 new and future environmental and water quality standards will accrue directly to
20 the customers as such initiatives are implemented.

21 Prior utility mergers and acquisitions in other states have produced
22 substantial benefits to customers in the form of operational synergies and cost
23 savings that either reduced rates or slowed their growth. Benefits to customers,

1 however, will not be realized without costs being incurred and risks being
2 assumed. In any merger or acquisition transaction, the shareholders assume the
3 risk that the combined entity will achieve the strategic, financial and operational
4 benefits set forth as the rationale for the proposed transaction. To the extent these
5 objectives are not attained (e.g., failing to realize cost savings) or in the event of
6 inequitable regulatory treatment, shareholders suffer from eroded equity value
7 and/or lower returns. It is a well established regulatory principle that, to
8 compensate for these risks and to reflect the shareholders' willingness to fund the
9 costs necessary to realize potential cost savings, the costs to achieve both these
10 savings and the underlying transaction should be fully recovered and the resulting
11 net cost savings should be equitably shared with shareholders. The IAWC
12 proposal is consistent with these principles by offering 10% of the savings to
13 customers before acquisition premium related costs are recovered. If the
14 company achieves savings less than the acquisition premium revenue
15 requirement, the customers will still receive 10% of the actual acquisition savings
16 before any benefit to the shareholders. In addition, IAWC's Mr. Stafford shows
17 in his testimony that net of acquisition related costs and for only the first 40 years,
18 customers retain 68% of net savings, while shareholders retain 32%. However, as
19 I will discuss later, after year 40, 100% of the savings will accrue to the
20 customers. Furthermore, the risk of estimated savings realization is borne by
21 shareholders because any recovery of a revenue requirement associated with the
22 acquisition premium is limited to demonstrable savings. Thus, IAWC bears the

1 risk of realizing enough cost savings to provide for both return of and return on
2 acquisition related costs.

3
4 **IV. SUMMARY OF ISSUES**

5 **Q. What portions of the Commission Staff's and industrial customers'**
6 **testimony are you addressing?**

7 A. I will address certain aspects of the discussion of the Savings Sharing Proposal as
8 offered by Staff witnesses Everson, Smith and Borden which relate to the ability
9 to measure acquisition related savings and to develop an appropriate mechanism
10 to achieve future savings recognition and sharing. I will also address Mr.
11 Gorman's comments related to these issues.

12
13 **Q. Please describe the Staff's concerns with the Savings Sharing Proposal.**

14 A. Staff's testimony regarding the SSP claims that the SSP is flawed in several
15 respects. First, that the 40-year time horizon is too long and therefore speculative.
16 Second, that the savings may not be determinable in future periods in the presence
17 of changing exogenous conditions. Third, the identified acquisition related
18 savings may not be solely attributable to this transaction, but that they may have
19 occurred for other reasons. Fourth, the amortization level, coupled with the lack
20 of sufficient savings, defers customer rate reductions into future years. Finally,
21 savings are insufficient to provide for an equitable sharing level that would justify
22 acquisition premium recovery.

1 **Q. Are these concerns valid and, where they may exist, are they avoidable or**
2 **capable of being mitigated?**

3 A. Most of the concerns expressed by the Staff and the industrial customers are not
4 valid and are mere “red herrings” rather than substantive issues. In fact, it may be
5 that the Staff and the industrial customers may misunderstand the underlying facts
6 of the IAWC transaction and SSP, particularly with respect to the nature of the
7 savings and to the continuity of the savings stream in the future.

8
9 **Q. Do you believe that any misconception regarding the concept and mechanics**
10 **of the SSP can be alleviated to provide for the implementation of this plan?**

11 A. Yes. My testimony will show that the SSP provides an equitable result from a
12 regulatory standpoint, that the 40-year time horizon is reasonable and “workable”,
13 that savings will be definable and measurable, and that the acquisition related
14 savings contemplated here are directly attributable to the proposed acquisition.

15
16 **V. NATURE OF IDENTIFIED SAVINGS**

17 **Q. What specific concerns do the Staff and the industrial customers have**
18 **regarding the savings identified by IAWC?**

19 A. There are essentially two concerns regarding the nature of cost savings identified
20 by IAWC: First, there is a concern that some portion of the savings that have
21 been identified by IAWC, particularly in the area of staffing and cost of capital,
22 may not be acquisition related. Second, there is a concern that any identified
23 savings may not be demonstrable over an extended period, due to other
24 exogenous factors that may separately cause baseline costs to be reduced and thus

1 cause savings to be similarly reduced. Closely related to these concerns is the
2 concern that, regardless of the validity of these savings as acquisition related, it is
3 an "...impossible exercise..." to determine actual savings. I will address this
4 point later in my testimony.

5
6 **Q. Have you reviewed the nature of IAWC's cost savings?**

7 A. Yes. These savings are set forth in IAWC's evidence in substantial detail. My
8 review indicates that these savings are typical of those produced in other merger
9 and acquisition transactions, and similar to those I am personally familiar with
10 from other water company transactions and other electric, gas and
11 telecommunications transactions.

12
13 **Q. What factor would define whether a cost savings is "acquisition related"?**

14 A. Generally, whether the cost savings could be derived absent the transaction, e.g.,
15 through best practice adoption or management self-action, would establish
16 whether the "event" was acquisition related. Thus, an "event", i.e., a reduced cost
17 level, would qualify as acquisition related if it would not exist "but for" the
18 existence of the transaction.

19
20 **Q. Are the savings that you have reviewed "acquisition related" and not**
21 **otherwise available?**

22 A. Yes. As I mentioned, these savings are typical of those found in other
23 transactions with which I am familiar. For example, reduced staffing levels

1 typically occur in every transaction, particularly where there are significant scale
2 differences between the companies or there is close geographic proximity that
3 would leverage duplication opportunities.
4

5 **Q. Do the Staff and the industrial customers have valid concerns regarding**
6 **whether the identified cost savings are “acquisition related”?**

7 A. No. In fact, the absence of any specific discussion of identified issues is striking.
8 In the case of Mr. Gorman, he simply asserts that “...it is not clear that the
9 employee reduction could not be achieved absent the acquisition.” No support is
10 provided for this assertion at all, notwithstanding the level of detail provided by
11 IAWC in support of quantification.

12 Ms. Everson’s comments are only slightly less vague. She states that
13 “...this type of reduction in expense could have occurred for an entirely different
14 reason...such as technological advances that reduce the number or type of
15 positions required, or a different corporate structure or a new merger.” She offers
16 nothing more than this statement, which effectively reduces this statement to an
17 unfounded opinion.
18

19 **Q. Why are these concerns unfounded?**

20 A. They are unfounded because the categories identified capture savings related to
21 “events” that would not occur absent this transaction. For example, with respect
22 to the 25 identified position reductions, it is clear that duplication will exist in
23 certain headquarters and back-office functions. It is also clear that IAWC’s

1 parent, American Water Works, is the largest firm of its kind in the United States
2 and substantially larger than Citizens. It is only logical that staffing reductions
3 will occur at a significant level from both of these factors.

4 If the Staff and the industrial customers seek to challenge whether the 25
5 positions are correct, then this becomes nothing more than a subjective opinion -
6 without a supporting basis – that the Commission should consider relative to the
7 data that is in the detailed work papers of IAWC. In this case, the Staff and the
8 industrial customers would simply be second-guessing the operational expertise
9 of IAWC and its parent. This, likewise, is an unsubstantiated opinion.

10
11 **Q. Is there merit to Ms. Everson's assertion that other factors in the future,**
12 **such as technology, could affect the prospective level of acquisition cost**
13 **savings?**

14 **A.** It is at least plausible that other exogenous factors could have some impact on
15 future cost savings that are quantified today. However, in reality, such impacts
16 would likely be negligible and, if they occurred, only affect the savings level at
17 the margin. Other potential mergers would not be a major factor since the savings
18 quantified for the Citizens' transaction would nonetheless continue. Incremental
19 savings from adding a third company would be directly measurable in the
20 succeeding transaction and would not likely affect the initial Citizens savings.

21 Any impacts from technology would also tend not to have significant
22 effects, as they would not likely offset the economies of scale impact that is
23 driving the Citizens' related cost savings. To the extent that state-of-the-art

1 impacts fundamentally changed the operating practice of the two companies, it
2 would still likely provide for continuing cost savings of a large magnitude
3 because of the different scale of the companies and their parents. Thus,
4 technology changes would likely only have marginal impact, if any. It should be
5 recognized, however, that the opportunity for exogenous factors to affect costs
6 and therefore cost savings, in this acquisition is extremely limited to begin with.
7 The largest pool of affectable operating costs relates to field activities which are
8 less likely to be affected by technological or other changes, as they are comprised
9 of construction, maintenance, or customer interaction activities. A smaller, but
10 more affectable, pool of operating costs relates to corporate and administrative
11 activities which do lend themselves to technological substitution, but have already
12 been reduced.

13 At best, however, Staff's and the industrial customers concerns relate to
14 issues regarding precision of measurement rather than the ability to measure at all.
15 As I will discuss later, adequate measurement bases do exist to provide the
16 Commission with confidence in cost savings levels. It would be unsupportable to
17 paint all Citizens' cost savings with a broad brush of lack of precision when the
18 likely impact would only be at the margin, if any.

20 VI. SAVINGS QUANTIFICATION PERIOD

21 **Q. What issues will you comment on regarding the savings quantification**
22 **period?**

23 **A.** There appear to be two principal issues raised by the Staff and the industrial
24 customers: First, a 40-year period is simply too long and results in speculation.

1 Second, that the cost savings quantified by IAWC over the 40-year period are
2 insufficient to provide adequate benefits to customers, compared to the level of
3 the acquisition premium. Both of these concerns are unwarranted as the cost
4 savings are highly predictable and more than offset the acquisition premium.
5

6 **Q. Do you believe that the 40-year period utilized by the IAWC is too long and**
7 **speculative?**

8 A. No. Under generally accepted theories related to the determination of savings
9 resulting from mergers and acquisitions, and due to the nature of the savings, the
10 length of the period used is somewhat irrelevant. This occurs because the savings
11 generally are permanent, i.e., once realized, they will exist in perpetuity.

12 For example, once a position is reduced because of duplication it is
13 reduced forever. Thus, as soon as a decision can be reached regarding the
14 appropriate timing of reduction, the position will be vacated and the related costs
15 forgone.
16

17 **Q. Couldn't subsequent events create costs that would negate the savings**
18 **previously quantified?**

19 A. It is possible, however, if new costs are created they would be borne by the
20 companies whether they remained on a stand-alone or combined basis. Thus, if
21 new costs were created, the initial savings would still be valid even though net
22 costs may be higher. More likely, however, is that any related cost savings would
23 also be higher since the costs would be incurred either stand-alone or combined

1 and economies of scale would generally still be present, thus further increasing
2 cost savings relative to the initial estimate.

3
4 **Q. Does this mean that there is little risk of variability in cost savings?**

5 A. Yes. It is usually not a question of how anticipated cost savings could be
6 impacted by other events, rather it is usually only a question of the timing of when
7 savings will materialize. IAWC is incented to realize savings as rapidly as
8 possible to assure that shareholders do not assume inordinate levels of risk and
9 that financial results do not deteriorate. This is especially true under the SSP
10 where IAWC receives no return of or on the acquisition premium unless it can
11 demonstrate to the Commission that acquisition related savings have occurred.

12 Once IAWC is in position to make the timing decision on the savings
13 realization, there will effectively be no variability as a reduced position or a
14 lowered unit cost is permanent. Thus, the cost savings become perpetual which
15 reduces any variability and prevents the 40-year period or any period from being
16 speculative.

17
18 **Q. Concerns have also been raised by Mr. Gorman and Ms. Everson that the**
19 **savings are insufficient to provide adequate benefits to customers. Do you**
20 **agree?**

21 A. No, I do not. As both of these witnesses have stated, the savings relative to the
22 acquisition premium revenue requirement are positive after year 13. And until

1 year 13, the customers are still first recovering 10% of the annual savings even
2 before IAWC obtains recovery of any part of the acquisition revenue requirement.
3 More importantly, however, both witnesses do not acknowledge that these costs
4 savings will continue into perpetuity. Thus, both witnesses are actually
5 understating the anticipated acquisition savings level as year 40 savings will
6 continue to increase each year since all prior savings “events” have occurred and
7 are permanent.

8
9 **Q. Is this ongoing cost savings level important to acknowledge?**

10 A. Yes, it is. It is important to recognize that this ongoing savings stream will
11 benefit customers forever. In addition, once the acquisition premium is
12 recovered, the savings that accrue to the customers become even larger. This is
13 particularly relevant where any long-term comparison is made or when a present
14 value analysis is made, such as that contained in schedule 4 of Mr. Gorman’s
15 exhibit. In this schedule, he has ignored the ongoing value of annual savings after
16 year 40 and therefore has substantially understated the benefits to customers on an
17 absolute basis and relative to the acquisition premium.

18
19 **Q. How would these ongoing savings levels be reflected?**

20 A. Were complete lifecycle calculations to be made, these savings would be reflected
21 through the use of a “terminal value”. A “terminal value” reflects the value of a
22 distant stream of continuing cash flows beyond a predefined analysis period. The
23 use of a terminal value is a relatively simple, frequently used financial concept,

1 and is calculated in accordance with the following equation where the last year's
2 amount reflects year 40 of the amortization period:

3 The Last Year's Amount / (Discount Rate – Inflation Rate)

4 In this case: The Last Year's Amount of Savings = \$20,895,747

5 Discount Rate = 8.76%

6 Inflation Rate = 2.5%

7 Or: $\$20,895,747 / (8.76\% - 2.5\%) = \$333,797,747$

8 Thus, the continuing cost savings creates an additional \$333 million in value in
9 future dollars from this perpetuity stream. Simply stated, this equation yields the
10 net present value of the savings that will occur after the acquisition adjustment
11 amortization period has ended. As noted earlier, 100% of these post year 40
12 benefits accrue directly to the customers. Failure to include this amount results in
13 an understatement of the ongoing benefits of the acquisition.

14
15 **Q. What is the impact on Mr. Gorman's analysis of including the terminal**
16 **value?**

17 A. Using IAWC's cost and savings figures and the discount rate of 8.76% used by
18 Mr. Gorman would produce:

19 Terminal Value: \$333,797,747

20 Discounted Value: \$ 10,672,014

21 As stated, the terminal value indicates that an additional \$333 million in value, in
22 future dollars, will be obtained from the continuing stream of cost savings into the
23 future. However, this value must be discounted to a current date to reflect a true

1 net present value. When this discounting is accomplished, again at the 8.76%
2 rate, an additional \$10 million of value is obtained. Adding the value of benefits
3 over the 40-year amortization period to the terminal present value yields a total
4 discounted value of approximately \$90 million as shown below:

	Total Present Value (\$ in thousands)
5 Base Period:	\$80,004
6 Terminal Value	\$10,672
7 Total:	\$90,676

11 **Q. Do the identified acquisition savings exceed the identified acquisition costs?**

12 A. Yes. Using IAWC's estimated cost savings and acquisition premium revenue
13 requirement, the present value of the savings is approximately \$90 million, while
14 the present value of the acquisition premium revenue requirement is
15 approximately \$75 million. This \$75 million is the value of the acquisition
16 premium revenue requirement of \$246,084,000 discounted at the same 8.76% rate
17 referred to earlier. The net benefit is therefore over \$14 million.

19 **VII. SAVINGS MEASUREMENT PROCESS**

20 **Q. Have there been concerns stated by the Staff and the industrial customers**
21 **regarding an inability to measure acquisition savings in the future?**

22 A. Yes. Mr. Gorman for the industrial customers and Mr. Borden of the Staff both
23 criticize the measurement process that could be utilized in the Savings Sharing
24 Proposal as not being workable and as increasing costs to customers.

1

2 **Q. Do you agree with these criticisms?**

3 A. No, I do not. Messrs. Gorman and Borden are, on the one hand with respect to
4 the Savings Sharing Proposal measurement process, simply commenting on a
5 degree of complexity associated with implementation. This is not an
6 insurmountable or unique problem. It should certainly not be used as a reason to
7 deny the ratepayers the benefits that will be produced by the acquisition or a fair
8 return to the shareholders who are making the investment necessary to create
9 these benefits.

10 Their comments with respect to increased costs to customers are, however,
11 incorrect and should not be given credence. Plainly, to the extent that cost
12 savings arise from this transaction, costs to the customer will be lower than they
13 otherwise would have been. Messrs. Gorman's and Borden's comments are
14 clearly directed toward achieving a greater savings distribution rather than
15 legitimately concluding that costs are increased.

16

17 **Q. Would you address this second criticism on costs being increased to**
18 **customers?**

19 A. This point also falls into the "red herring" category. It is true that not all cost
20 savings are being allocated to customers. However, assignment of 100% of the
21 savings to customers is neither the norm in other transactions nor is it viable
22 public policy.

1 To begin with, cost savings that arise from mergers or acquisitions would
2 simply not occur without the existence of the transaction. And, the transaction
3 would not be pursued or completed if shareholders conclude they will not be
4 treated equitably. Thus, to argue that customers have claims on 100% of the
5 identified cost savings is unrealistic on its face and inequitable in its result. More
6 importantly, it is a specious argument that the customers' costs will be increased.
7 The transaction reduces costs rather than increasing them; it simply does not
8 reduce them to the level the Staff and the industrial customers would like, because
9 under the SSP 100% of the savings are not allocated to the customers. The
10 flipside of this specious argument is that preventing consolidations that produce
11 savings by denying companies any return on the investment required to produce
12 such savings as well as any share of those savings may ultimately deny customers
13 any of the available savings since companies may not pursue such transactions.

14
15 **Q. Does the existence of the acquisition premium revenue requirement increase**
16 **costs to customers?**

17 A. No. For any cost savings to be realized by customers, this transaction has to be
18 completed. The comparison more appropriately is whether customers are better
19 off in the absence of this transaction. The answer here is clearly not. Messrs.
20 Gorman and Borden would forego any benefit to customers in the interest of
21 trying to capture all possible savings. This is unhelpful and an unworkable
22 proposition on its face. It is not realistic and in fact would not be in the interests
23 of customers to walk away from: 10% of the identified savings, 50% of the

1 excess of savings beyond the acquisition premium revenue requirement, 100% of
2 all cost savings after year 40; and all the operational enhancements and benefits
3 that customers will receive.
4

5 **Q. Do you believe that it is possible to implement a workable mechanism for**
6 **sharing acquisition cost savings?**

7 A. Yes. The issues raised by the Staff and the industrial customers simply raise
8 implementation details and do not create fatal flaws in the SSP. Such details are
9 present in every transaction and should not be excessively constraining.
10

11 **Q. Are the elements of the SSP unique?**

12 A. Not particularly. Most transactions include some form of merger or acquisition
13 cost savings sharing method. These methods commonly seek to achieve an
14 equitable distribution of savings between customers and shareholders, dependent
15 upon the circumstances of each specific transaction. The savings sharing plans
16 thus reflect whether the transaction involved pooling or purchasing accounting,
17 stock or asset acquisition, near- or long-term savings realization and the level of
18 premium paid. All of these factors would be considered in each specific situation,
19 where relevant. The Savings Sharing Proposal incorporates several components
20 that are common to most regulatory plans, i.e., a specific approach to sharing,
21 quantified proportioning of savings, a defined time frame, discrete mechanisms
22 related to the operations of the plan and a basis for proving up actual savings.

1 These components thus provide the necessary elements of a workable savings
2 sharing plan.

3
4 **Q. Why is the Savings Sharing Proposal beneficial to the customer?**

5 A. Quite simply, it transfers the primary risks of savings realization to the
6 shareholders while still providing benefits to customers. Under this plan, the
7 customers receive the benefit of 10% of the savings and operational
8 enhancements while the company is at risk for the recovery of the acquisition
9 premium through the production of savings. If the company achieves no savings,
10 the shareholders bear the entire cost of the acquisition revenue requirement.
11 However, if the company achieves savings in excess of the acquisition premium,
12 the customers share substantially in those savings through the 50% allocation
13 mechanism. Savings estimates for the Savings Sharing Proposal show an
14 estimated savings in excess of \$137 million will be realized over 40 years by the
15 customers over the life of the plan. After this 40-year period, and for every year
16 thereafter, customers will receive 100% of all cost savings, which substantially
17 increases total benefits as discussed in the previous section.

1 **Q. Have regulatory commissions recognized that rate recovery of acquisition-**
2 **related costs is in the public interest?**

3 A. Yes. A number of commissions treat recovery of an acquisition premium
4 favorably. Regulators realize that preventing recovery of premiums in all cases
5 would reduce or eliminate investor interest in desirable reorganizations. Most
6 states now permit the recovery of an acquisition premium when the company that
7 is taken over is troubled, badly managed or under capitalized. Furthermore, in
8 recent cases, commissions have begun to recognize a broader range of public
9 benefits as justifying allowance of premium recovery. Additionally, these cases
10 strike a careful balance by providing incentives for mergers that will benefit both
11 shareholders and ratepayers. Allocation of savings to shareholders provides an
12 incentive for managements to enter into transactions which benefit ratepayers
13 through cost reductions.

14
15 **Q. Can you provide examples of cases where regulatory commissions have**
16 **allowed recovery of acquisition premiums or permitted allocations of savings**
17 **to shareholders?**

18 A. Yes. In Massachusetts, the Massachusetts Department of Telecommunications
19 and Energy ("DTE") has abandoned its policy of denying recovery of acquisition
20 premiums. The DTE recognized that, with markets becoming increasingly
21 competitive, a merger or acquisition could achieve savings, efficiencies, increased
22 reliability or better service. It expressed a willingness to allow rate recovery of an
23 acquisition premium on a case-by-case basis, where denying recovery of that

1 premium would prevent consummation of a merger that would otherwise serve
2 the public interest.

3 The DTE applied its policy in two cases. The first being Eastern
4 Enterprises and Essex County Gas Company, and the second being NIPSCO and
5 Bay State Gas Company. In Eastern Enterprises-Essex County Gas, the DTE
6 allowed Essex to recover the \$47.1 million acquisition premium (representing
7 earnings dilution that would be experienced by Eastern shareholders) through
8 savings resulting from the merger. The DTE found that the earnings dilution that
9 would result to Eastern shareholders from the merger represented a cost that
10 should be taken into consideration as part of the evaluation of costs and benefits.
11 The DTE found that Eastern had the opportunity to recoup all merger-related
12 costs by seeking to capture merger-related efficiencies for shareholders during the
13 term of the rate plan. While initial estimated cost savings were less than the total
14 of merger-related costs, the DTE determined that customers were not at risk for
15 under-recovery. The DTE concluded that the merger was consistent with the
16 public interest since there was no net harm to ratepayers.

17 In that case, the DTE also reiterated its position that a principal goal of
18 regulation is the simulation of the results of a competitive market. One feature of
19 such a market is that firms will “evolve in size and scope in a way that maximizes
20 efficiency over time.” The DTE explained that its long-standing prohibition
21 against the recovery of an acquisition premium was an example of a regulatory
22 barrier to consolidation. Companies in competitive markets do not undertake
23 mergers without a reasonable opportunity to recover the costs associated with

1 merging (including and acquisition premium) through higher productivity. If
2 utility mergers, consistent with the public interest, are to take place, it is necessary
3 for regulators using a cost-of-service system to explicitly allow for recovery of
4 costs associated with the merger, either through an actual premium or through the
5 opportunity for allocation of expected productivity gains to shareholders.
6 Recovery of a reasonable premium should be considered a worthwhile investment
7 in obtaining efficiencies for the benefit of ratepayers. Thus, the DTE explained
8 that, the prohibition against recovery of an acquisition premium was eliminated in
9 order to allow utilities to seek their most efficient size and scope with the
10 opportunity to recover reasonable merger-related costs, as long as customers are
11 at least as well off with the merger as they would be without it. In this way,
12 merger and acquisition activity will be undertaken primarily on the basis of
13 providing high quality utility services at the least possible cost. This will
14 encourage mergers at a pace and on a scale achieved by forces in an efficient,
15 competitive market.

16 In NIPSCO-Bay State Gas, the DTE stated that it would permit Bay State,
17 in future rate proceedings, to seek recovery of the annual amortization of the
18 acquisition premium to the extent it could prove that the premium has been offset
19 by merger-related savings. Although the specifics of premium recovery were not
20 addressed, the merger and rate plan were structured so that Bay State's customers
21 were not at risk for recovery of any acquisition premium or merger-related costs
22 during the rate freeze period. After the rate freeze, Bay State could seek recovery
23 of the acquisition premium and merger-related costs from ratepayers, provided

1 that merger-related benefits are proven to be equal to or greater than any portion
2 of the acquisition premium proposed to be included in base rates.

3 In New York, a 1994 policy statement on acquisition incentive
4 mechanisms for small water companies recognized that allowance of an
5 acquisition premium is an appropriate incentive in certain merger situations. The
6 New York policy is intended to foster acquisitions and mergers that improve the
7 ability of small companies to provide service, make it easier to comply with
8 regulations, bring rates of the systems into parity, improve and consolidate
9 management and operation.

10 The New York Public Service Commission adopted a savings sharing
11 approach reflecting these principles in the AquaSource-Wild Oaks Water
12 Company transaction. Referencing the 1994 policy statement regarding
13 acquisition incentives, the Commission allowed AquaSource to retain operational
14 savings for the first 11 years. The Commission recognized that allowing
15 AquaSource the potential for retaining the operational savings in lieu of an
16 acquisition premium is a departure from traditional rate of return ratemaking
17 methodology, but nonetheless was consistent with the 1994 policy regarding
18 acquisition incentives.

19 While not an exhaustive delineation of policies or positions, the above
20 references provide very reasoned insight into the emerging policies associated
21 with utility acquisitions and benefit sharing principles.
22

1 **Q. Staff suggested in its testimony that the plan is not workable. Do you agree?**

2 A. No, the plan is very simple and feasible. The plan is composed of distinct
3 components; acquisition premium revenue requirement, acquisition savings, and
4 allocation. The plan as proposed can be administered through traditional rate case
5 proceedings and the three components, acquisition premium, revenue
6 requirements associated with the acquisition premium, and allocations are defined
7 in this proceeding. Administration of the plan in future periods will occur under
8 the authority of the Commission. The acquisition premium revenue requirement
9 will be determined at the time of the transaction. The acquisition savings can be
10 quantified in the rate case process by evaluating actual savings from the
11 transaction. The allocation of savings between customers and shareholders will
12 be determined in this proceeding and executed in the rate case proceedings
13 automatically when the acquisition savings are approved in subsequent rate case
14 proceedings. There will be no need to discuss or contest the acquisition premium
15 revenue requirement or allocations in future proceeding, as they will be
16 determined here, which further simplifies the process.

17
18 **Q. What specific issues do the Staff and the industrial customers have with the**
19 **Savings Sharing Proposal?**

20 A. I have already discussed several issues regarding the Savings Sharing Proposal
21 such as the 40-year period and the speculativeness of savings. Messrs. Gorman
22 and Borden principally argue that the process is difficult because of the lack of
23 available baseline data. For example, Mr. Gorman states that "...it will be

1 extremely difficult for Staff, an intervener and the ICC to estimate CUCI's or
2 IAWC's costs as if the acquisition did not occur and compare these costs to
3 IAWC's combined actual costs."

4 Mr. Borden offers a similar argument where he states "I do not see how
5 one can reasonably measure costs when the stand-alone companies do not exist."
6 In Mr. Borden's opinion, it is not accurate to call savings "actual savings" because
7 figures are generated from non-existent cost information of the stand-alone
8 company.

9
10 **Q. Are these concerns valid or mitigable if they are?**

11 A. It would be disingenuous to dismiss outright these concerns because handling
12 savings identification; quantification and measurement are not normal
13 undertakings in the context of traditional rate case proceedings. However, these
14 issues can be successfully dealt with, particularly if one focuses on recognizing
15 the opportunity available and addressing the issues directly. Simply stated,
16 IAWC can provide both data in the near-term and a mechanism for the long-term
17 that can respond to these issues and still maintain the framework of the Savings
18 Sharing Proposal.

1 **Q. Please explain how IAWC can provide data that addresses the Staff's and the**
2 **industrial customers' issues, and which provides a basis for determining**
3 **savings.**

4 **A. Recall earlier that I indicated that because of the nature of the identified cost**
5 **savings that the issue was not their existence, but only their timing. In addition, I**
6 **mentioned that once these savings began, they would continue in perpetuity.**

7 Mr. Stafford outlines in his testimony one method of doing so, however
8 there are others. It is possible for IAWC to effectively provide documentation to
9 the Commission that captures each savings "event" and provides the necessary
10 data to support its occurrence, acquisition relatedness and quantification. The
11 synergy savings estimate is a useful prototype for capturing savings "events"
12 because they identify specific actions of management and economies of scale
13 implemented as a result of the transaction.

14 For example, for staffing reductions relevant information can be captured
15 under simple templates that would specify the following types of data:

- 16 • Position
- 17 • Function
- 18 • Rationale
- 19 • Timing
- 20 • Salary
- 21 • Loading rates
- 22 • Activity disposition
- 23 • Variable/indirect costs

1 This data would enable the Commission to fully understand the savings
2 type and to determine whether the “event” was acquisition related. More
3 importantly, it enables the Commission to request and to review this data only
4 once, as the savings will continue into perpetuity.

5
6 **Q. Has an approach like this been used before?**

7 A. Yes. The Utah Public Service Commission utilized such an approach in
8 connection with the Pacific Power & Light – Utah Power & Light merger. The
9 reporting requirement actually extended for several years until the regulatory
10 agency realized that the only factor affecting annual cost levels was inflation.

11
12 **Q. Does that mean that IAWC would be required to track savings?**

13 A. No. IAWC would be required to identify, quantify and support cost savings as
14 they occur but would not be required to track savings year-to-year. This tracking
15 creates cumbersome processes for both companies and their regulators and
16 doesn’t yield sufficient insight into trends once the “events” occur. As stated
17 several times, once a decision is made it and the attendant dollar impacts are
18 permanent.

19
20 **Q. Can you also capture appropriate data for nonstaffing related savings areas?**

21 A. Yes. Third-party costs, such as insurance or materials purchases can also be
22 captured. In these cases, the measurements are based on unit costs which can

1 easily be compared before and after the transaction. In these cases, the effects of
2 economies of scale will provide for lower unit costs than on a stand-alone basis.

3 Those cost savings that are variable or indirect, such as vehicles that may
4 not be needed, or facilities that may be surplus, can be identified directly and
5 related costs captured as well.

6 In all these areas, just as in the case of staffing reductions, the savings
7 “event” only needs to be captured once as the impact will be permanent.

8
9 **Q. Capturing this data addresses the ability to quantify savings directly, but**
10 **how does it enable cost level comparison for the purposes of setting rates?**

11 A. Capturing direct data related to savings events provides for an ability to establish
12 a savings level, which can be escalated each measurement period, as required.
13 Thus, savings realized by the end of 2002 will simply escalate each year thereafter
14 and would provide the basis for reducing the cost to customers. Essentially, the
15 savings quantified are used to reduce rates over the course of any rate-setting
16 period. In this way, absolute savings dollars are directly used to either reduce
17 costs to customers, in the case of the first 10% of savings, or offset acquisition
18 premium revenue requirements. Using absolute dollars as the agreed upon basis
19 simplifies future measurement requirements in each rate case period.

1 **Q. Mr. Smith of the Staff has suggested that “there is no line, or category in the**
2 **development of revenue requirement in which savings can be placed.” Is this**
3 **a problem?**

4 **A. No, it is not. Cost savings are simply negative costs, i.e., cost levels are lower**
5 because of these cost savings. To recognize the need to offset the acquisition
6 premium revenue requirement is a simple task that only requires identification of
7 the savings value, not precision accounting. The cost savings would be directly
8 compared to the acquisition premium revenue-requirement. Once the savings
9 level exceeds the necessary levels and begins to flow equally to both customers
10 and shareholders, a separate adjustment category can be identified as a “contra
11 cost”, i.e., a negative cost add-back could be derived to assure that the shareholder
12 portion of the savings is recognized.

13
14 **Q. What if the Commission would like to measure overall costs at a particular**
15 **point in time rather than simply capture the savings “event” and related**
16 **savings?**

17 **A. This also can be accomplished, although it is less straightforward. In two prior**
18 utility mergers, Kansas Power & Light – Kansas Gas and Electric and Entergy –
19 Gulf States Utilities, the respective regulatory agencies utilized an approach
20 referred to as the O&M index to reflect such future measurement. This O&M
21 index, in fact, stayed in place for a number of years to facilitate the measurement
22 process.

1 **Q. How would such a mechanism work?**

2 A. Generally, the O&M index fixes a baseline for future comparison of actual cost
3 levels to expected cost levels. The actual cost levels are those that exist at the
4 time of measurement, which would be an appropriate period prior to the
5 transaction, unadjusted. The baseline cost level is determined by fixing a future
6 cost level based on current cost levels, subtraction of expected cost savings, and
7 escalating by an agreed upon or Commission determined factor. This baseline
8 would also potentially allow for recognition of related costs, such as the
9 acquisition premium. The difference between the baseline cost level and future
10 actual costs is presumed to be the cost savings impact from the acquisition as
11 quantified by the company.

12 To the extent that actual costs are higher than the baseline, as escalated,
13 then it would be clear that cost savings were not realized or that new costs have
14 been incurred that were not in the baseline. To the extent that actual costs are
15 lower than the baseline level, as escalated, these cost savings were realized at a
16 greater level than initially expected. Thus, there is a straightforward way to
17 measure acquisition cost impacts without measuring each "event".

18

19 **Q. How would the acquisition premium revenue requirement be recognized in**
20 **this approach?**

21 A. Essentially, it is factored in when arriving at the baseline. The value for the
22 baseline cost level could be set to acknowledge that a certain level of cost savings
23 are necessary before the shareholders would do anything more than recover a

1 return of and/or return on related acquisition adjustment costs. If the company
2 were to exceed the cost baseline, it is automatically not fully recovering its
3 acquisition costs. If it is reducing cost levels below its baseline costs, then it is
4 contributing to a return on its acquisition related costs, and perhaps enabling more
5 savings to be split with shareholders. In this case, the baseline cost level would
6 be set to require, at a minimum, that cost savings be sufficient to cover acquisition
7 related costs. To the extent they do, then both customers and shareholders win.
8 To the extent they don't, then shareholders lose because the allowable cost level
9 has been established assuming that all cost savings are realized and that customers
10 are not at risk.

11
12 **Q. Can the Savings Sharing Proposal be adapted to this O&M index approach?**

13 A. Yes. All of the factors, i.e., duration, savings, cost levels and acquisition costs,
14 are reflected in the Savings Sharing Proposal. This O&M index approach simply
15 provides a set of mechanics that provide for easier cost level comparison and
16 obviate the need for recurring, detailed rate case review.

17
18 **Q. Do you believe that a workable and equitable savings sharing plan can be**
19 **developed?**

20 A. Yes. I have seen nothing that persuades me that there are any factors so unique
21 they cannot be addressed. The goal is equitable savings sharing and methodology
22 issues should not outweigh the benefits to be obtained by customers. These issues
23 can be resolved without creating burdensome administrative processes or

1 complicating results measurement and assure that customers do receive the
2 intended cost savings and other benefits of the transaction.

3

4 **Q. Does this conclude your testimony?**

5 **A. Yes, it does.**

SUMMARY OF REGULATED UTILITY EXPERIENCE

Alaska Public Utilities Commission

- Anchorage Sewer Utility

Arizona Corporation Commission

- U S WEST Communications - Docket No. E-1051-88-146

Beaumont, Texas

- Entex, Inc.
- Gulf States Utilities Company

California Public Utilities Commission

- The Washington Water Power Company and Sierra Pacific Power Company - Application No. 94-08-043
- Pacific Enterprises and ENOVA Corporation - Application No. A-96-10-038

Clark County

- Washington Public Power Supply

District of Columbia, Public Service Commissions

- Baltimore Gas and Electric Company and Potomac Electric Power Company - Formal Case No. 951

Colorado Public Utilities Commission

- Public Service Company of Colorado and Southwestern Public Service Company - Docket No. 95A-513EG

Delaware Public Service Commission

- Atlantic City Electric Company and Delmarva Power & Light Company - Docket No. 97-65

Federal Energy Regulatory Commission

- Baltimore Gas and Electric Company and Potomac Electric Power Company - Docket No. EC96-10-000
- IES Utilities Inc., Interstate Power Company, Wisconsin Power & Light Company, South Beloit Water, Gas & Electric Company, Heartland Energy Services and Industrial Energy Applications, Inc. - Docket No. EC96-13-000
- Trans-Alaska Pipeline System - Docket No. OR78-1
- Middle South Energy, Inc. - Docket No. ER-82-483-000
- Middle South Energy, Inc. - Docket No. ER-82-616-000
- Kansas Power and Light Company and Kansas Gas and Electric Company - Docket No. EC91-2-000
- Southwestern Public Service Company and Public Service Company of Colorado - Docket No. EC96-2-000

- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. EC94-23-000
- Northern States Power Company and Wisconsin Energy Corporation - Docket Nos. EC95-16-000 and ER95-1357-000
- Midwest Power Systems Inc. and Iowa-Illinois Gas and Electric Company – EC95-4
- Ohio Edison Company, Pennsylvania Power Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company – ER97-412-000
- Atlantic City Electric Company and Delmarva Power & Light Company – EC97-7
- Union Electric and Central Illinois Public Service Company – EC-96-7-000

Federal Power Commission

- Organization and Operations Review

Garland, Texas

- General Telephone Company of the Southwest
- Lone Star Gas Company

Georgia Public Service Commission

- Georgia Power Company - Docket No. 3673-U

Houston, Texas

- Houston Lighting & Power Company

Idaho Public Utilities Commission

- The Washington Water Power Company and Sierra Pacific Power Company - Case Nos. WWP-E-94-7 and WWP-G-94-4

Illinois Commerce Commission

- Illinois Power - Docket No. 84-0055
- Iowa-Illinois Gas and Electric Company and Mid-American Company Energy - Docket No. 94-0439
- Central Illinois Public Service Company, CIPSCO Incorporated and Union Electric Company - Docket No. 95-0551

Iowa Utilities Board

- Midwest Resources Inc., Midwest Power Systems Inc. and Iowa-Illinois Gas and Electric Company - Docket No. SPU-94-14
- IES Industries Inc., Interstate Power Company, WPL Holdings, Inc. – Docket No. SPU-96-6

Iowa Electric Light and Power

- Organization and Operations Review

Kansas Corporation Commission

- Southwestern Bell Telephone Company - Docket Nos. 117,220-U and 123,773-U
- Kansas Gas & Electric - Docket No. 120,924-U

- Kansas Power and Light Company and Kansas Gas and Electric Company - Docket No. 174,155-U
- Western Resources and Kansas City Power and Light - Docket No. 190,362-U
- Western Resources, Inc. and Kansas City Power and Light - Docket No. 97-WSRE-676-MER

Kentucky Public Service Commission

- Louisville Gas & Electric Company - Case Nos. 5982, 6220, 7799, 8284, 8616 and 8924
- South Central Bell Telephone Company - Case Nos. 6848, 7774 and 8150
- Kentucky-American Water Company - Case No. 8571

Louisiana Public Service Commission

- American Electric Power Company, Inc., Southwestern Electric Power Company and Central and South West Corporation – Docket No. U-23327

Maryland, Public Service Commission of

- Baltimore Gas and Electric Company and Potomac Electric Power Company – Order No. 73405, Case No. 8725

Massachusetts Department of Telecommunications and Energy

- Boston Edison, Cambridge Electric Light Company, Commonwealth Electric Company and Commonwealth Gas Company – Docket D.T.E. 99-19

Michigan Public Service Commission

- Wisconsin Electric Power Company and Northern States Power Company - Case No. U-10913

Minnesota Public Service Commission

- Continental Telephone Company - Docket No. PR-121-1
- Northern States Power Company - Docket No. E002/GR-89-865
- Northern States Power Company and Wisconsin Energy Corporation - Docket No. E,G002/PA-95-500

Mississippi Public Service Commission

- Mississippi Power & Light Company - Docket No. U-4285

Missouri Public Service Commission

- Union Electric Company - Case Nos. ER-84-168 and EO-85-17
- Union Electric Company and Central Illinois Public Service Company - Case No. EM-96-149
- Kansas City Power & Light Company - Case Nos. ER-85-128 and EO-85-185
- Kansas Power and Light Company and Kansas Gas and Electric Company - Case No. EM-91-213

Southwestern Bell Telephone - Case No. TC-93-224

Western Resources and Kansas City Power and Light – EM 97-515

Nevada Public Service Commission

- Bell Telephone Company of Nevada - Docket No. 425
- Central Telephone Company - Docket No. 91-7026
- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. 94-8024

New Jersey Board of Public Utilities

- Atlantic City Electric Company and Delmarva Power & Light Company - Docket No. EM-97-020103

New Mexico Public Service Commission

- Public Service Company of New Mexico
- Southwestern Public Service Company and Public Service Company of Colorado - Case No. 2678

New Mexico State Corporation Commission

- Continental Telephone of the West - Docket No. 942
- General Telephone Company of the Southwest - Docket Nos. 937 and 990
- Mountain States Telephone and Telegraph Company - Docket Nos. 943, 1052 and 1142
- U S WEST Communications - Docket No. 92-227-TC

New Orleans, Louisiana

- New Orleans Public Service Company

New York, State of, Public Service Commission

- Long Island Lighting Company and Brooklyn Union Gas Company - Case 95-G-0761

Ohio Public Utilities Commission

- Ohio Bell Telephone Company - Case No. 79-1184-TP-AIR
- Cleveland Electric Illuminating Company

Oklahoma Corporation Commission

- Organization and Operations Review
- Southwestern Bell Telephone Company - Cause No. 26755
- Public Service Company of Oklahoma - Cause Nos. 27068 and 27639
- Southwestern Bell Telephone Company - Cause No. 000662
- American Electric Power Company, Inc., Public Service Company of Oklahoma and Central and South West Corporation - Cause No. PUD-980000444

Oregon, Public Utility Commission of

- Pacific Power and Light Company - Revenue Requirements Study
- Portland General Electric Company - Revenue Requirements Study
- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. UM-696

Riverside, City of

- San Onofre Nuclear Generating Station

Sherman, Texas

- General Telephone Company of the Southwest

Tennessee Public Service Commission

- United Inter-Mountain Telephone Company - Docket Nos. U-6640, U-6988 and U-7117

Texas Attorney General

- Southwestern Bell Telephone Company

Texas, Public Utility Commission of

- Texas Power & Light Company - Docket Nos. 178 and 3006
- Southwestern Bell Telephone Company - Docket Nos. 2672, 3340, 4545 and 8585
- Houston Lighting & Power Company - Docket Nos. 2448, 5779 and 6668
- Lower Colorado River Authority - Docket No. 2503
- Gulf States Utilities Company - Docket No. 2677
- General Telephone Company of the Southwest - Docket Nos. 3094, 3690 and 5610
- Central Telephone Company - Docket No. 9981
- Southwestern Public Service Company and Public Service Company of Colorado - Docket No. 14980

Utah Public Service Commission

- Utah Power and Light Company - Docket No. 76-035-06

Vermont Public Service Board

- New England Telephone and Telegraph Company - Docket Nos. 3806 and 4546

Waco, Texas

- Texas Power & Light Company

Washington Utilities and Transportation Commission

- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. UE-94-1053 and UE-94-1054
- Puget Sound Power and Light Company and Washington Natural Gas Company – UE-960195

Washington Metropolitan Area Transit Authority

- D.C. Transit

Wisconsin Public Service Commission

- Northern States Power Company and Wisconsin Energy Corporation – 6630-UM-100 and 4220-UM-101

- WPL Holdings, IES Industries Inc., Interstate Power Company, Inc. - Docket No. 6680-UM-100

Wyoming Public Service Commission

- Cheyenne Light, Fuel and Power Company (Southwestern Public Service Company and Public Service Company of Colorado) - Docket Nos. 20003-EA-95-40 and 30005-GA-95-39
- Mountain States Telephone and Telegraph Company - Docket No. 9343, Subs. 5 and 9
- Organization and Operations Review
- Pacific Power and Light Company - Docket No. 9454, Sub. 11